

VZCZCXRO1633
RR RUEHCHI RUEHDT RUEHHM RUEHNH
DE RUEHGP #0165/01 0560626
ZNR UUUUU ZZH
R 250626Z FEB 09
FM AMEMBASSY SINGAPORE
TO RUEHC/SECSTATE WASHDC 6414
INFO RUCNASE/ASEAN MEMBER COLLECTIVE
RUEHNE/AMEMBASSY NEW DELHI 2237
RUCPDOG/DEPT OF COMMERCE WASHDC
RHMCSUU/FAA NATIONAL HQ WASHINGTON DC

UNCLAS SECTION 01 OF 02 SINGAPORE 000165

NEW DELHI FOR EHRENDREICH

SENSITIVE
SIPDIS

E.O. 12958: N/A

TAGS: [EAIR](#) [EIND](#) [EINV](#) [ETRD](#) [ECON](#) [SN](#)

SUBJECT: GOS PROVIDING \$200 MILLION TO "AIRPORT PARTNERS" IN 2009

SINGAPORE 50

11. (SBU) SUMMARY: The Civil Aviation Authority of Singapore (CAAS) will provide S\$200 million to airlines and "airport partners" to help bolster local aviation and airport business in 2009. Funds will be disbursed in the form of property tax and rental rebates, as well as other incentives. Air passenger and cargo traffic have dropped significantly in Singapore, causing Singapore Airlines to cut capacity by 11 percent, the largest reduction since the severe acute respiratory syndrome (SARS) epidemic in 2003. CAAS estimates that Changi International Airport accounts for 100,000 jobs and adds S\$10 billion to Singapore's economy. The relief funds will be administered initially by CAAS but later by state-owned Temasek Holdings once the planned corporatization of Changi Airport goes into effect July 1. END SUMMARY.

S\$200 Million One-Time Economic Relief Measure

12. (SBU) The Civil Aviation Authority of Singapore (CAAS), the current regulator of the aviation sector and operator of Singapore's Changi International Airport, will in 2009 make available to "airport partners" a S\$70 million (US\$47 million) relief fund, in addition to a S\$130 million (US\$87 million) Air Hub Development Fund (AHDF) that was extended and expanded earlier this year. CAAS committed the additional money to help air carriers, airport retailers and airport service providers through the economic downturn, Eileen Poh, CAAS Director for International Relations in the Regulatory and International Group, told Econoff February 19.

13. (SBU) The AHDF was set to expire at the end of 2008, but CAAS decided to extend the program for another year and increase it from S\$100 million to S\$130 million. Now CAAS has added S\$70 million in relief funds, bringing the total package for 2009 to S\$200 million (US\$134 million), Poh said. Approximately S\$20 million will be in the form of property tax rebates that CAAS received as part of the GOS stimulus package and will pass on to airport tenants. Airport tenants will also receive rental rebates of 7, 15 or 20 percent, depending on the type of business (e.g., air carrier or food vendor) and existing rental agreements. And, under a new AHDF Cargo Incentive Scheme, CAAS will pay air cargo firms S\$10 per ton of cargo handled each quarter, up to the equivalent of 15 percent of the firm's warehouse or office rent for that quarter. Money from the AHDF and relief fund will be available through December 31, 2009 to foreign or domestic companies with facilities at the airport, Poh added.

14. (SBU) CAAS instituted the "one-time economic relief measure" to help the aviation sector weather the global downturn. CAAS estimates that the airport accounts for 100,000 jobs and contributes approximately S\$10 billion (US\$6.67 billion) to the Singapore economy. Since October, air cargo volumes, leisure and business travel have dropped substantially (reftel). Singapore Airlines reduced the number of its all business-class direct flights between Singapore and Newark from daily to five flights a week, Poh said.

Singapore Airlines also intends to cut 11 percent of its capacity by grounding 17 of its 104 planes, representing the largest capacity cut since the outbreak of severe acute respiratory syndrome (SARS) in 2003.

AHDF Introduced After SARS

15. (SBU) The AHDF was introduced in 2003 following SARS as a way to help fund investments that could expand airport business and air traffic through Singapore. CAAS made available S\$100 million annually to carriers, vendors and other businesses that applied for funding and met certain performance benchmarks, Poh said. For example, an air carrier could receive AHDF funding to help mitigate the costs and risks associated with expanding its route network into new markets. CAAS, as airport operator, would then collect a percentage of the carrier's sales revenue to recoup the money it provided. Poh was not clear about whether firms would be required to pay back the rental and tax rebates they would receive as part of the S\$70 million relief funds for 2009. She did not believe that rents and property taxes at the airport would be raised substantially once economic conditions improve.

Temasek, Not CAAS Will Administer AHDF Come July

16. (SBU) Singapore is in the process of corporatizing Changi Airport. Effective July 1, 2009, CAAS will relinquish its role as airport operator to state-owned Temasek Holdings. CAAS will remain the regulator for the aviation industry and a statutory board under the Ministry of Transport, Poh stated. LEE Hsien Yang, the brother

SINGAPORE 00000165 002 OF 002

of Prime Minister LEE Hsien Loong will take over as chairman of CAAS. A new company under Temasek will run all operations for the airport, including administering the AHDF, Poh said. Temasek currently has controlling shares of Singapore Airlines and Singapore Airport Terminal Services (SATS), which provides ground and inflight services at Changi Airport.

SHIELDS